

Expense Report Audit

June 2007

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City Auditor's Office

June 8, 2007

Honorable Mayor and City Council,

I am pleased to present the City Auditor's Office's report on expense reports at the City of Arlington. The purpose of the audit was to evaluate the adequacy of the expense report process and to ensure that expenses paid were reasonable and made in accordance with existing policy.

Management concurs with our audit findings and related recommendations. Management's responses to our audit findings and recommendations, as well as target implementation dates and responsibilities, are included in the following report. Within twelve months, the City Auditor's Office will conduct a follow-up audit and comment on management's implementation of these audit recommendations.

We would like to thank City staff for their cooperation and assistance during this project and we look forward to continuing our efforts to further enhance the expense report process.

Patrice Randle, CPA
City Auditor

c: Jim Holgersson, City Manager
Fiona Allen, Deputy City Manager
Ron Olson, Deputy City Manager
Gilbert Perales, Deputy City Manager
Trey Yelverton, Deputy City Manager

Expense Report Audit

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EXPENSE REPORT AUDIT



Office of the City Auditor

Patrice Randle, CPA
City Auditor

Project #07-05

June 8, 2007

Executive Summary

***The City Auditor's Office
noted material exceptions
to the City's Training and
Travel policy***

The City Auditor's Office has completed an audit of expense reports. The audit was conducted in accordance with generally accepted government auditing standards. The objectives of the audit were to determine whether:

- Expense reports were completed in compliance with the City's Training and Travel policy, and
- Internal controls of the City's expense reporting process are reasonable and adequate to prevent misuse or abuse.

The City Auditor's Office's review of expense reports indicated that the City needs to improve internal controls over the review and approval of training and travel costs.

Opportunities for Improvement

- ***Seek reimbursement from employees for unallowable expenses***
- ***Provide additional guidance on the determination of reasonableness for hotel costs***
- ***Update the Training and Travel Policy***
- ***Determine if additional policy language regarding air travel is needed***
- ***Require department heads or designees to review and approve expense reports***

The City Auditor's Office identified the following:

- The City paid for unallowable training and travel expenses
- Specific guidance to determine the reasonableness of lodging costs does not exist
- Vehicle costs were not reimbursed in accordance with established policy
- The Training and Travel Policy needs to be updated
- Guidelines for the approval of additional travel days do not exist
- Expense reports were not reviewed and authorized by the appropriate level of management.

These issues are discussed fully in the Detailed Audit Findings section of this report.

Audit Scope and Methodology

The City Auditor's Office reviewed a random sample of 40 expense reports submitted for travel conducted between January 2006 and November 2006 to determine the extent of compliance with the City's Training and Travel policy. The City Auditor's Office also selected a judgmental sample of an additional 71 expense reports based on the dollar amount of costs incurred for specific cost categories.

The following methodology was used in completing the audit:

- Reviewed the City's Training and Travel policy
- Interviewed the Financial Services employee responsible for reviewing and recording expense reports in the Lawson financial system
- Reviewed selected expense reports for compliance with policies
- Interviewed City staff as considered necessary to gain an understanding of the details regarding individual expense reports
- Reviewed and assessed the internal controls over expense reports

Background

The City's Training and Travel policy specifies the procedure for reimbursement of allowable expenses incurred by an individual in an official capacity as a representative of the City. All training, other than that provided through the Workforce Services Department, is coordinated by the employee's department. Approval and funding for such training is at the discretion of department management with available funds.

The Financial Services Director is responsible for the overall administration and enforcement of the Training and Travel policy. However, all employees are expected to report any abuse and/or misuse of travel and entertainment funds to appropriate management.

Some of the more significant requirements included in the Training and Travel policy are highlighted below:

Per Diem Allowances

- Other than per diem allowances for meals and incidentals, only actual costs that a reasonable and prudent person would incur shall be allowed.
- Employees may claim reimbursement for personal meals and incidentals in accordance with the U.S. Government's Domestic Per Diem Rates in effect for their travel destination. Incidental expenses are defined as fees and tips given to porters, baggage carriers, and bellhops.
- Where meals are provided at conferences and included in the registration fees, reimbursements should not be requested except when limitations of an individual cannot be accommodated by the conference organizers, or when the exception is approved by the Department Head for business purposes.

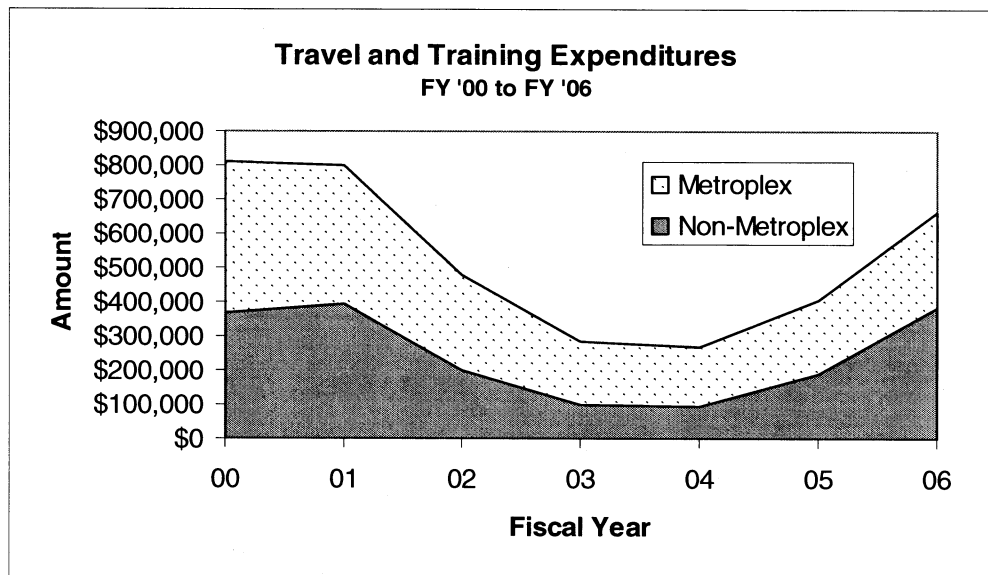
Transportation

- Except for reasons of time and/or monetary allocation, transportation for trips of 200 miles or less (one-way) shall be by city or personal vehicle, not airline travel.
- For trips outside the Metroplex, only costs of fuel are reimbursed. A City gasoline credit card is available from the Financial Services Department.
- Approval to rent a car must be obtained from the Controller before the trip. Rental cars will generally not be authorized except when ground transportation is not available or economical.

Travel Advances

- Employees may request travel advances for meals and incidental expenses from the Accounts Payable Division. A request for advance travel funds must be submitted on a Payment Authorization form that contains all pertinent information at least five working days before the date of travel and the advance check shall not be issued more than seven working days before the date of travel.

Expense report details are now recorded in the Lawson financial system. Prior to January 2006, expense report detail was only recorded on the hardcopy expense report completed by the employee. Therefore, the City Auditor's Office was not able to prepare a historical analysis of travel costs by category (hotel, airfare, registration, etc.). However, the following chart documents total training and travel expenditures incurred by the City of Arlington since FY 2000:



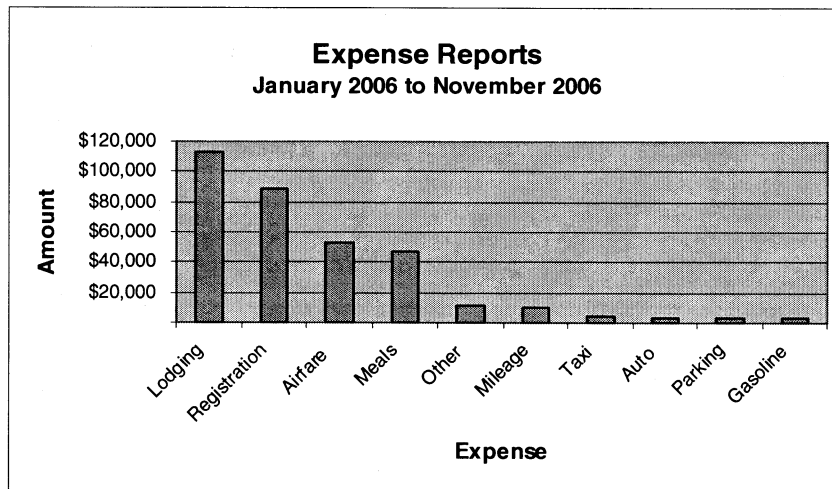
Source: Advantage and Lawson Financial Systems

Total FY 2006 training and travel expenditures were \$663,628, as shown in the following table of expenditures by department:

Training and Travel Expenditures FY '06	
Police	\$ 195,421
Fire	77,155
Community Services	53,707
Community Development and Planning	49,970
Information Technology	48,493
Parks and Recreation	42,608
Water Utilities	28,061
Public Works and Transportation	28,038
Office of Mayor & Council	21,599
City Manager's Office	17,615
Management Resources	17,072
City Attorney's Office	14,462
Workforce Services	14,421
Financial Services	12,067
Convention Center	11,304
Library	8,496
Municipal Court	7,901
Aviation	4,995
Internal Audit	4,908
Environmental Services	4,358
Judiciary	977
Total FY '06 Expenditures	<u>\$ 663,628</u>

Source: Lawson Financial System

From January 2006 through November 2006, 519 expense reports were filed with the Financial Services Department. Total expenditures represented on the 519 expense reports were \$339,567. This amount (\$339,567) is less than the total recorded training and travel expenditures because not all expenditures are required to be included on an expense report. For example, expenditures made to register for a training class that did not require out of town traveling would not be included on an expense report. Instead, these expenditures would be reimbursed through the City's petty cash or Accounts Payable process. The following chart demonstrates total training and travel costs (by component) recorded on expense reports from January 2006 through November 2006:



Source: Lawson Financial System

Detailed Audit Findings

As noted earlier in the Audit Scope and Methodology section of this report, the City Auditor's Office selected a random sample of expense reports submitted between January and November 2006. In addition, the City Auditor's Office judgmentally selected 71 expense reports from the same period based on the dollar amount of costs incurred for specific cost categories. Expense reports were reviewed for compliance with the City's Training and Travel Policy.

1. The City paid for unallowable expenditures.

The City paid for the following unallowable expenditures:

- An employee included hotel costs for a spouse on an expense report. The City reimbursed the employee a total of \$163 for spouse travel while attending a conference in San Diego. As a result of this audit, the employee has reimbursed the City the \$163.
- The City reimbursed two employees for an extra night hotel stay while attending a conference in Washington DC. The employees were due to attend a three-day conference but checked out early from the pre-arranged hotel. However, they requested reimbursement from the City for a three-day stay. The amount of overcharge for each employee was \$223, which was charged to a federal grant. The two employees later reimbursed the City for the hotel room overpayment. The overpayment was discovered when the City submitted the expenditures for reimbursement from the granting agency. Had the expense not been charged to a federal grant, the overpayment may have gone undetected.
- An employee attending a conference in Reno, Nevada was reimbursed \$746 in airfare costs, purchased five weeks in advance. The seating assignment that is listed in the reservation indicated that the employee traveled first class during the outbound flight and economy class during the inbound flight. The Training and Travel Policy (Section 108.03 B.1.e.) allows coach travel only. Economy class travel with a 30-day advance booking would have cost approximately \$368. The City could have saved approximately \$378. According to the Fire Department, an administrative staff member accidentally booked the first class flight.
- Many employees requested a full-day per diem for meals although conference brochures clearly indicated that meals were provided. In some cases, due to dietary restrictions or preferences, City policy allows employees to seek per diem reimbursement for meals.

Employees also requested per diem for meals on trips where the employee stayed beyond the date of the conference. The following table summarizes exceptions related to per diem reimbursement for meals. The City Auditor's Office did not identify any documentation of permission or explanation for the identified exceptions.

Per Diem Exceptions			
City	# of Trips	Over-Payment	Reason
Tampa, FL	1	\$ 140	Meals included in registration
Washington, D.C.	2	91	Meals included in registration
Arlington, VA	3	320	Meals included in registration
Hutchinson Island, FL	1	86	Extended travel
San Antonio, TX	3	95	Extended travel
Total		\$ 732	

Recommendation:

The Financial Services Director, in conjunction with the City Manager's Office (CMO), should research the above exceptions and seek reimbursement from employees for any unallowable expenses.

Management's Response:

The exceptions have been researched. The employees and in some cases, their supervisor, were contacted and asked to either reimburse the expense or provide additional documentation to justify the business necessity of the expense.

Target Date: Complete

Responsibility: Anna Mosqueda, Director of Financial Services

2. Guidelines governing the reasonableness of lodging costs do not exist.

The Texas Building and Procurement Commission (TBPC) contracts with hotels for discounted rates on transient travel. The City of Arlington is eligible to participate in the hotel contract, but has not taken advantage of the opportunity.

Under the TBPC contract, hotels contract with the State of Texas by offering a 20-25% discount off their standard rack rates for single rooms. Generally, single rates are based on one person occupying the room and/or one bed in the room. However, rates for room descriptions vary from one property to another. The State has indicated that hotel contract rates may not be available during holidays or special events, and that lower rates may be available during low occupancy periods. The room rate for the majority of Texas hotels that have entered into a contract with the State of Texas is \$85.00 per night.

Internal Audit identified the following when reviewing expense reports with lodging costs within the state of Texas:

City	Date(s) of Stay	Hotel Rate Paid	Participates in State Contract?	State Hotel Rate	Diff.	Event
San Antonio	09/10/06-09/12/06	\$ 259.00	No	\$ 85.00*	\$ 174.00	Conference
San Antonio	09/09/06-09/12/06	243.00	No	85.00*	158.00	Conference
San Antonio	09/09/06-09/12/06	191.00	No	85.00*	106.00	Conference
San Antonio	09/08/06-09/13/06	191.00	No	85.00*	106.00	Conference
Austin	01/23/06-01/24/06	169.00	No	85.00*	84.00	Workshop
Corpus Christi	06/01/06-06/04/06	159.00	No	85.00*	74.00	Conference
Corpus Christi	06/14/06-06/16/06	159.00	No	85.00*	74.00	Conference
San Antonio	08/03/06-08/07/06	159.00	No	85.00*	74.00	Conference
San Antonio	08/03/06-08/07/06	159.00	No	85.00*	74.00	Conference
Horseshoe Bay	08/03/06-08/04/06	123.00	No	85.00*	38.00	Summit
Corpus Christi	10/18/06-10/20/06	115.00	No	85.00*	30.00	Conference
Woodlands	07/10/06-07/14/06	89.00	No	85.00*	4.00	Training
Corpus Christi	10/17/06-10/20/06	85.00	No	85.00*	0.00	Training
Galveston	06/19/06-06/22/06	85.00	No	85.00*	0.00	Leadership
S. Padre Island	02/26/06-03/01/06	67.00	No	85.00*	(18.00)	Training
San Antonio	04/22/06-04/26/06	65.00	No	85.00*	(20.00)	Conference
San Antonio	10/29/06-11/01/06	93.00	Yes	85.00	8.00	Training
Austin	07/18/06-07/19/06	85.00	Yes	85.00	0.00	Meeting
Austin	02/27/06-02/28/06	69.99	Yes	65.99	4.00	Training

* The hotel in which the employee stayed did not participate in the State of Texas contract at the time of stay. For comparison purposes, the \$85.00 rate was used. The difference indicated is, therefore, only an estimate.

Internal Audit's review concluded that employees did not stay in contracted hotels when traveling out of state. When comparing the City's out-of-state lodging costs to the average contracted room rate within each city, the results were as follows:

City & State	Date(s) of Stay	Hotel Rate Paid	Average Contracted Hotel Rate for Hotels in City*	Diff.	Event
San Diego, CA	04/21/06-04/27/06	\$ 264.00	\$ 101.00	\$ 163.00	Conference
Washington, DC	03/05/06-03/08/06	197.00	195.00	2.00	Meeting
Washington, DC	04/21/06-04/25/06	219.00	195.00	24.00	Conference
Washington, DC	05/07/06-05/09/06	180.00	195.00	(15.00)	Conference
Jacksonville, FL	03/21/06-03/24/06	209.00	None	N/A	Conference
Orlando, FL	04/09/06-04/12/06	215.00	105.00	110.00	Conference
Orlando, FL	04/09/06-04/12/06	215.00	105.00	110.00	Conference
Orlando, FL	10/16/06-10/19/06	199.00	105.00	94.00	Conference
Orlando, FL	10/16/06-10/19/06	199.00	105.00	94.00	Conference
Lexington, KY	10/23/06-10/27/06	75.00	None	N/A	Training
Boston, MA	03/22/06-03/25/06	179.00	203.00	(24.00)	Conference
Boston, MA	10/14/06-10/17/06	213.00	203.00	10.00	Conference
Boston, MA	10/16/06-10/19/06	209.00	203.00	6.00	Conference
Baltimore, MD	08/22/06-08/26/06	189.00	None	N/A	Conference
Grand Rapids, MI	09/18/06-09/21/06	105.00	79.00	26.00	Training
St. Paul, MN	06/11/06-06/13/06	99.00	None	N/A	Training
Kansas City, MO	09/09/06-09/14/06	125.00	94.00	31.00	Conference
Kansas City, MO	06/12/06-06/16/06	91.00	94.00	3.00	Training
Philadelphia, PA	10/22/06-10/28/06	224.00	138.00	86.00	Training
Philadelphia, PA	10/22/06-10/28/06	259.00	138.00	121.00	Training
Arlington, VA	10/10/06-10/12/06	289.00	None	N/A	Conference
Arlington, VA	10/10/06-10/12/06	289.00	None	N/A	Conference
Arlington, VA	02/15/06-02/18/06	180.00	None	N/A	Conference
Seattle, WA	10/10/06-10/14/06	191.00	155.00	36.00	Conference
Milwaukee, WI	05/30/06-06/02/06	119.00	None	N/A	Training

* Average contracted room rate for hotels with inside sleeping room door entrances only

As indicated in the charts above, City staff attended training seminars and conferences. During training seminars, the availability of contract hotels may be more likely than during large conferences. Management has indicated that employees stay at conference hotels for the convenience (e.g., not having to incur taxi or car rental costs if complimentary shuttles are not available) and to take advantage of networking opportunities.

Unless the City participates in the State contract, available cost savings may not be recognized. However, as a contract participant, if a preferred hotel is not on the State contract, the State will invite the preferred hotel to contract with the State.

Internal Audit also concluded that documentation used to support lodging costs is inadequate. Under the City's current practice, no documentation is required to substantiate what may be considered unreasonable hotel costs. Internal Audit identified one instance where the City was billed for a two bedroom suite at \$259.00 per night. During the audit, administrative staff responsible for making hotel reservations indicated that the availability of lodging in the proximity of the conference location was severely limited and that booking at this particular hotel was the most reasonably priced of the few possibilities that were available at the time. Another employee in the audit sample who attended the same conference but did not stay in a two bedroom suite paid \$243.00 per night, only \$16.00 less than the two bedroom suite rate. However, two other employees paid \$191.00 per night, a difference of \$68.00 per night. Without properly documenting explanations for lodging costs, at the time of making hotel arrangements, hotel stays may be viewed as excessive.

Recommendation:

The Financial Services Director should ensure that the City actively participates in the State hotel contract.

Management's Response:

This is addressed in the revised Training and Travel Policy – Section 108.03(E)(2)

Target Date: June 11, 2007

Responsibility: Anna Mosqueda, Director of Financial Services

Recommendation:

The Workforce Services Director and the Financial Services Director, in conjunction with the City Manager's Office, should establish specific guidelines for the determination of reasonable lodging costs. Once those guidelines have been established, the Workforce Services Director should publicize and circulate those guidelines to all City staff.

Management's Response:

This is addressed in the revised Training and Travel Policy – Section 108.03(E)(2). The Workforce Services Director will incorporate the policy into the Personnel Policy Manual which will be circulated to all City staff.

Target Date: June 11, 2007

*Responsibility: Anna Mosqueda, Director of Financial Services
Lisa Coburn, Interim Workforce Services Director*

Recommendation:

The Financial Services Director should establish a written policy that requires City staff to explain any lodging costs that were incurred in excess of the lodging guidelines mentioned in the previous recommendation. Reimbursements for expense reports in

which the employee has not provided a written and logical explanation, should not be processed.

Management's Response:

This is addressed in the revised Training and Travel Policy – Section 108.03(E)(2)

Target Date: June 11, 2007

Responsibility: Anna Mosqueda, Director of Financial Services

3. Vehicle costs were not reimbursed in accordance with established guidelines.

The City Auditor's Office noted that employees submitted mileage reimbursement requests for travel costs outside the metroplex although the Training and Travel Policy prohibits such mileage reimbursement. The Training and Travel Policy (Section 108.03 B.1.e.2) states:

"Outside Metroplex. Only costs of fuel are reimbursed. A City gasoline credit card is available from the Finance Department."

The following chart summarizes the number of trips and miles driven to various locations and the amount of reimbursement received by employees:

Out of Metroplex Mileage Reimbursement					
City	# of Trips	Miles	Reimbursement	Calculated Gasoline Cost*	Estimated Over-Payment
Austin	4	1,614	\$ 714	\$ 154	\$ 560
Tulsa	1	643	286	62	224
San Antonio	2	1,392	620	133	487
Bastrop	1	452	201	43	158
Total					\$ 1,429

* - Based on Ford Taurus (City pool vehicle) estimated 23 miles per gallon combined city and highway mileage and \$2.20 per gallon fuel price

Recommendation:

The Financial Services Director and the Workforce Services Director should reiterate the City's mileage reimbursement guidelines to staff.

Management's Response:

This is addressed in the revised Training and Travel Policy – Section 108.03(E)(6)(b). The Workforce Services Director will incorporate the policy into the Personnel Policy Manual which will be circulated to all City staff.

Target Date: June 11, 2007
Responsibility: Anna Mosqueda, Director of Financial Services
Lisa Coburn, Interim Workforce Services Director

4. The Training and Travel Policy needs to be updated.

The City Auditor's Office noted the need to amend existing training and travel policies in order to strengthen internal controls.

- Existing policy disallows reimbursement of mileage if the employee receives a car allowance, however the policy does not addresses reimbursement of phone expenses for employees receiving phone allowances. On a trip to Washington D.C., an employee was reimbursed for a \$54 long distance phone call made from a hotel room to the employee's City of Arlington office. This employee receives a cell phone allowance.
- Current policy (Section 108.03 E.5.) requires Accounts Payable employees to review expense reports for reasonableness, mathematical accuracy and compliance with policies. Internal control would be improved if department heads were held responsible for determining the reasonableness of submitted expenses. User departments are in a better position to determine reasonableness due to first hand knowledge about events attended.
- Existing policy does not provide adequate guidance for reimbursement of transportation costs. Section 108.03 B.3. states:

"Except for reasons of time and/or monetary allocation, transportation for trips of 200 miles or less (one-way) shall be by city or personal vehicle, not airline travel."

The policy does not address trips over 200 miles. It is a good business practice to have a policy that specifies that all modes of travel be selected with consideration given to minimizing the loss of time to the employee and cost to the City.

An employee drove a motor home to a training event in Tampa, Florida, which included an additional five-day stay in Tampa. The employee was reimbursed a total of \$1,092, which consisted of fuel (\$875), parking (\$40), and rental (\$177) costs. The City Auditor's Office noted that using air transportation to the event would have cost approximately \$624 (\$224 airfare, \$396 lodging, and \$24 for shuttle fees). The City could have, therefore, saved approximately \$468.

- In some instances, outside agencies may bill the City for staff travel costs. The City Auditor's Office noted one incident where an agency billed the City \$400 for meals and ground transportation for a trip to Washington D.C. Supporting documentation that itemizes the actual cost was not submitted with the \$400 invoice and is not required by current policy.

- The City Auditor's Office noted that an employee attended a two-week training course in Dallas and received reimbursement for the total mileage from the employee's home to the class each day. City policy or practice does not require employees to deduct the normal commuting mileage from their home to office when requesting reimbursement. The employee received \$258 for attending the two-week course. If the employee's normal commuting mileage had been deducted, the employee would have received approximately \$98 less.
- The current policy does not require that relocation costs be reimbursed in accordance with IRS guidelines. An employee was reimbursed for 1,298 relocation miles at a cost of 44.5 cents a mile, totaling \$578. IRS guidelines only allow a 20-cent per mile relocation reimbursement.
- On a trip to San Antonio, an employee paid \$243 per night to stay at one of several conference hotels. Review of the conference brochure indicated that this nightly rate was associated with double occupancy. Current policy does not prohibit employees from being reimbursed at a double occupancy rate when a single occupancy rate is available.
- The existing Training and Travel Policy does not adequately address acceptable methods of payment for airline travel. Section 108.03 B.1.e.1 of the personnel manual states:

"Coach class tickets only. If reservations are made through the contract travel agency, the agency will charge the cost on a city credit card. Otherwise a Payment Authorization form must be submitted to the Accounts Payable Division."

In the past, employees were asked to use a local travel agency to arrange for airline tickets but this now appears to be unnecessary. According to City management, employees are now able to use one of many popular internet search engines and find competitive low fares. Currently, the City has not contracted with a vendor to provide travel related services.

The procurement card policy (Section 4.4.1.e.) states:

"The Procurement Card SHALL NOT BE USED for the following:Airlines, travel, hotels, etc.; unless this restriction has been lifted in writing by the CMO or designee and coordinated as a special group through the Program Administrator."

Deputy City Managers have granted a limited number of employees within the Police and Fire departments permission to use procurement cards for travel. In addition, other departments have been granted permission, as needed, to use procurement cards to pay for airline travel.

- On a trip to Phoenix, airfare and lodging was combined in a package deal with one price. Therefore, it was not possible to determine whether lodging costs were reasonable.

However, a check of available airfare prices to Phoenix indicated that the hotel cost may have been unreasonable. There was no indication that the expense report reviewer questioned the traveler as to why a packaged price was obtained for lodging and airfare.

Recommendation:

The Workforce Services Director, in conjunction with the Financial Services Director and the CMO, should modify the existing Training and Travel Policy to:

- Disallow phone expenses for employees that receive cell phone allowances except when necessary due to the unavailability of cell phone service
- Shift responsibility from Accounts Payable to user departments for the review of expense reports for reasonableness
- Require that the mode of travel (driving versus air travel) be reimbursed with consideration given to minimizing the cost to the City
- Require that employees obtain travel invoices from other agencies that include detailed accounting for actual travel expenses
- Deduct normal commuting mileage from the calculation of local mileage reimbursement
- Require relocation expenses to be reimbursed in accordance with IRS guidelines
- Allow for hotel reimbursement at the single occupancy rate only
- Specifically address allowable methods of payment for airline travel
- Prohibit the use of travel packages that do not clearly segregate the cost of lodging and airfare or provide evidence that the package deal was less costly than separate purchases of lodging and travel

Management's Response:

This is addressed in the revised Training and Travel Policy – Sections 108.01, 108.03, and 108.04.

Target Date: June 11, 2007

Responsibility: Anna Mosqueda, Director of Financial Services

5. Guidelines for the approval of additional travel days do not exist.

Some conferences hold educational workshops, board meetings or social events that occur before or after the main conference. In most cases, these events require additional payment or registration. The City Auditor's Office noted that employees stayed at conference or training locations for more than the number of days of the actual event without clear indication that pre-approval was given to attend extra events or that there was an economic advantage for the employee to arrive earlier or leave later. For example:

- Two City employees attended a four-day conference in San Antonio but spent an additional day participating in a conference-sponsored golf tournament. The

additional costs for both employees amounted to \$371 for lodging and \$51 in parking and internet access fees.

- One employee spent two additional days at a conference in Hutchinson Island, Florida, at a cost of \$246. The event consisted of a pre-conference educational event, but the City Auditor's office could not find any evidence that the employee attended the educational meeting.
- An employee overstayed one day while attending a four day conference in San Antonio. The event was held from 09/09/06 to 09/13/06. The events on 09/09/06 included pre-conference workshops that required registration and payment. The City Auditor's Office was unable to locate supporting documentation that showed payment or attendance at a pre-conference workshop. The additional cost incurred due to the overstay amounted to \$267 for lodging and meal per diem.

Documentation was not included with the expense reports to clearly indicate that approval was granted (or justified) to attend the extracurricular activities.

Recommendation:

The Financial Services Director, in conjunction with the CMO, should require employees and reviewers to clearly justify and document why additional travel days are necessary.

Management's Response:

This is addressed in the revised Training and Travel Policy – Section 108.03(E)

Target Date: June 11, 2007

Responsibility: Anna Mosqueda, Director of Financial Services

Recommendation:

The Financial Services Director, in conjunction with the CMO should determine whether additional policy guidance is needed to document those circumstances under which pre-conference social events are allowable.

Management's Response:

This is addressed in the revised Training and Travel Policy – Section 108.03(E)(1) (e)

Target Date: June 11, 2007

Responsibility: Anna Mosqueda, Director of Financial Services

6. Deputy City Managers (DCMs) have unnecessarily assumed responsibility for the approval of training and travel requests.

The City's Training and Travel Policy (Section 108.02 B. "Specific Individual or Department Training") states that:

"All training, other than that provided through Workforce Services, is coordinated by the employee's department. Approval and funding for such training is at the discretion of department management with available funds."

The City Auditor's Office noted that 29 of 33 expense reports for non-Directors included some sort of pre-approval from a DCM to authorize the travel. Several years ago, City management "froze" training and travel expenditures but allowed certain trips with DCM approval. This may explain why department directors are still seeking DCM approval.

Obtaining DCM approval for training and travel requests is not an efficient use of DCM time. It also may result in department heads not taking full responsibility for the review of expense reports, under the assumption that the travel had been "approved" by a DCM.

Recommendation:

The City Manager, in conjunction with the Financial Services Director, should require department directors to approve training and travel requests in accordance with the Training and Travel Policy.

Management's Response:

This is addressed in the revised Training and Travel Policy – Section 108.03(B)(1)

Target Date: June 11, 2007

Responsibility: Anna Mosqueda, Director of Financial Services

Recommendation:

The City Manager, in conjunction with the Financial Services Director, should require that DCMs only review and approve Department Head expense reports and approve travel for all employees prior to the trip on an exception basis only (e.g., when the City Manager has frozen travel).

Management's Response:

This is addressed in the revised Training and Travel Policy – Section 108.03(B)(2)

Target Date: June 11, 2007

Responsibility: Anna Mosqueda, Director of Financial Services

7. *Expense reports were not approved by the appropriate level of management.*

The Training and Travel Policy does not specify that department directors should review and approve all expense reports. However, the expense report form commonly used to report training and travel expenditures includes a signature line for Department Head approval.

The approval signature should evidence that all required receipts are attached to the expense report and that the expenses were made in accordance with City policy. Without review and approval by appropriate level of management, there is no assurance that training and travel expenditures were authorized and reasonable.

The City Auditor's Office noted that the Police Department designated the Police Fiscal Services Division as responsible for reviewing and approving expense reports. No exceptions were noted with a designated employee review of expense reports.

The City Auditor's Office observed incidents where expense reports were authorized by a subordinate employee. Examples include:

- An Assistant Department Head's expense report was approved by a manager
- An Assistant Department Head's expense report was approved by another Assistant Department Head
- Department Heads' expense reports were approved by an Assistant Department Head

Recommendation:

The Financial Services Director should require that expense reports be approved by the immediate supervisor, unless the Department Head has designated a specific individual or group to perform such review (such as the Police Fiscal Services Division). In instances where the immediate supervisor is unavailable, the next level of management should approve the expense report.

Management's Response:

This is addressed in the revised Training and Travel Policy – Section 108.01(B)

Target Date: June 11, 2007

Responsibility: Anna Mosqueda, Director of Financial Services

Recommendation:

The Workforce Services Director should update the Training and Travel policy to include the above requirement.

Management's Response:

The Director of Financial Services has updated the Training and Travel policy. The Workforce Services Director will incorporate the policy into the Personnel Policy Manual.

Target Date: June 11, 2007

*Responsibility: Anna Mosqueda, Director of Financial Services
Lisa Coburn, Interim Workforce Services Director*

108.00 TRAINING AND TRAVEL

108.01 POLICY/PURPOSE

A. Training. The City promotes a learning environment and provides in-house training relevant to developing general job skills and preparing employees for new and increased responsibilities. Each department is allocated, within budget constraints, training funds to meet specific individual or department needs.

B. Travel and Local Meeting Expenses. The City recognizes the need for official representation at conferences, meetings, conventions, seminars, and other functions. The City will pay reasonable expenses which are incurred in the course of authorized City travel. The objective for paying travel-related expenses are 1) to provide employees sufficient funds to execute business on behalf of the City and 2) to safeguard City funds by paying only reasonable and necessary expenses.

Directors are responsible for ensuring that travel expenditures comply with this Chapter and for the thorough review and approval of documents necessary for the travel transaction. Directors have the discretion to implement more restrictive procedures and/or guidelines for their individual departments. The purpose of required documentation is to provide sufficient evidence to anyone who reviews the travel transaction that public funds were expended in compliance with this Chapter.

Employees traveling on behalf of the City are expected to utilize services and accommodations appropriate and reasonable for the business to be conducted.

For purposes of this Chapter, the term “Director” refers to the Department Director or their designee.

108.02 TRAINING PROCEDURES

A. Workforce Services In-house Training. All individuals attending Workforce Services training must register through Workforce Services to attend the class. Training

requests must have supervisory approval and be submitted to Workforce Services for processing. An enrollment confirmation may be returned to the individual.

B. Specific Individual or Department Training. All training, other than that provided through Workforce Services, is coordinated by the employee's department. Approval and funding for such training is at the discretion of department management.

108.03 TRAVEL AND LOCAL MEETING EXPENSES

A. General Provisions.

1. The Director of Financial Services is responsible for the overall administration and enforcement of this Section.
2. All employees are expected to report any abuse and/or misuse of travel and training funds to management.
3. An employee shall not use his or her own funds (cash, check, or credit/debit card) to purchase airline tickets or pay for registration expenses for another employee unless prior approval is received.

The Metroplex is defined as Collin, Dallas, Denton, Ellis, Henderson, Hood, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant and Wise counties.

B. Approval Required For Travel.

1. Employees must provide an estimated cost of the trip using the Travel Authorization Expense Report form and obtain prior approval from their Director. In the event travel is conducted without prior approval, the employee may be responsible for all expenses incurred.
2. Authorization for travel for Directors will be granted by the Deputy City Manager to whom they report. Deputy City Managers travel authorization shall be granted by the City Manager.

C. Requests for Travel Advances.

1. Employees may request travel advances for meals and incidental expenses from the Accounts Payable Division. A request for advance travel funds must be submitted on a Payment Authorization form that contains all pertinent information at least 5 working days before the date of travel. The check shall not be issued more than 7 working days before the date of travel.
2. The amount of the travel advance is limited to the anticipated meal per diem, plus any incidental expenses, such as gas, taxi fare and tips.
3. The Payment Authorization form shall indicate a charge directly to the appropriate travel/training expenditure account. A signed travel approval and travel advance request form must be attached to the Payment Authorization form. Any questions concerning the proper line item account number should be directed to the Accounts Payable Division.
4. Failure to follow these procedures will result in denial of advance funds. If the advance is denied, the employee may still apply for allowable reimbursement of personal funds used during travel.
5. Denial of travel advances may be appealed through the Department Director.

D. Procurement Card for Travel Expenses. Upon approval of the Director, designated administrative employees can be issued procurement cards with travel privileges. These cards can be used for booking travel, lodging or other expenses, that are typically paid by the City, except for travel related meals. Personal expenses are not to be placed on a City procurement card and procurement card reporting requirements as outlined in the Purchasing Manual, Sec. 4.4.1.a must be followed. Misuse of the City's procurement card may result in card privileges being revoked and/or disciplinary action being taken, as deemed appropriate.

E. Reimbursable Expenses.

The City will reimburse actual expenses as authorized within this policy, except for meals and incidental expenses (M & IE). Meals and incidental expenses will only be paid on a per diem basis and based on the rates established by the U.S. General Services Administration for the current fiscal year (www.gsa.gov) in effect for the travel destination.

Itemized original receipts from the vendor must be provided for all expenses, except meals and incidental expenses. Credit card slips will not be accepted. Failure to submit itemized receipts will render those expenses non-reimbursable.

If a travel package is used, documentation that clearly segregates the cost of airfare, lodging and ground transportation should be provided. If not available, the employee must submit documentation supporting that this was the most economical travel method.

If travel time is extended for non-city related business, reimbursement will not be made for any expenses incurred for the additional stay unless it is properly documented and approved as an Extraordinary Expense (See 6.f).

No reimbursement will be made for costs in excess of the maximum allowances specified in this Chapter. Expenses in excess of maximum allowances are the responsibility of the individual.

1. Meals and Incidentals (M & IE).

a) The City will pay for the cost of meals for overnight travel on a per diem basis in accordance with the U.S. Government's Domestic Per Diem Rates in effect for the travel destination. Incidental expenses are defined as fees and tips given to porters, baggage carriers, and bellhops.

- b) The Domestic Per Diem Rates can be obtained by accessing the U.S. General Services Administration's website at www.gsa.gov or by contacting the Financial Services Department/Accounts Payable Division.
- c) The employee may not claim the entire per diem rate for travel periods of less than one full day. The per diem rate is broken down into standardized meal rates for breakfast, lunch, and dinner. The breakdown of the per diem rate can also be found at the same U.S. General Services Administration's website at www.gsa.gov. Under the per diem rates there is a section for M & IE breakdown.
- d) The City will not pay for meals for individuals who are not employed by the City of Arlington except with the written approval of the Director stating the business purpose of the meal. If an exception is granted, an itemized meal receipt with attendee names and business purpose must be attached to the expense report.
- e) Where meals are provided at conferences and included in the registration fees, reimbursements should not be requested except when limitations of an individual cannot be accommodated by the conference organizers, or when the exception is approved by the Director for business purposes. A conference itinerary/schedule must be included as supporting documentation. The City will not pay for social or recreational conference functions that are separate ticketed events not included in the base conference registration fee without prior approval of the Director (to be noted on the request for travel authorization).
- f) For international travel, actual costs for meals will be reimbursed.
- g) For travel that does not involve an overnight stay, meals may be reimbursed if the employee is in a travel status out of Metroplex for more than 12 hours.

2. Accommodations. The City will pay only actual expenses for hotels, motels or other lodging. Employees should request the reduced government rate or conference rate when making reservations. The government rate, per the State of Texas hotel contract can be accessed on the State of Texas Building & Procurement Commission website at www.tbpc.state.tx.us/communities/procurement/prog/stmp/stmp-hotel-contract/stmp-hotel-contacts. The State contract should be referenced when making hotel reservations. Most hotels will not accept claims to a government rate after check-in. City employees are not exempt from hotel taxes and will be reimbursed for such taxes.

The City will pay only the cost of a single occupancy room, unless the second occupant is also a city employee. If an employee shares a room with someone who is not an employee of the City or who is not traveling on City business, and the room cost is higher than the single room rate because of double occupancy, the employee must pay the difference.

When attending a conference, lodging should be at the conference rate. Expenditures in excess of the conference rate shall be explained as an Extraordinary Expense (see 6f). For non-conference lodging, the State of Texas contract rate should be requested and used when available.

Meals ordered through room service or charged on the hotel bill will be covered through the per diem allowance.

3. Telephone Calls. Reimbursement for personal telephone calls will not exceed \$5 per day, including access charges. The most economical method must be used for business-related calls. All phone calls must be documented as to whether personal or business-related. Internet connection fees incurred for business purposes will be reimbursed if approved by the Director. Telephone

calls will not be reimbursed for employees who receive a cell phone allowance or who have a city-issued cell phone.

4. Parking. Only actual parking expenses shall be allowed. If no receipt is provided, the employee must submit a signed and dated declaration of the expense. Airport parking for 24 hours or less will be reimbursed at the short-term parking rates. Required parking for 25 hours or more shall be reimbursed at the long-term parking rate only.

5. Tips/Gratuities. Tips or gratuities on taxis shall not exceed 15 percent of total taxi fare. Meal related tips are included in the per diem rate.

6. Transportation.

a. Airline. The City will pay for coach or economy class tickets. Employees are encouraged to take advantage of the lowest available fare whenever possible (economy class). However employees are not required to fly at unusual times to qualify for discounts. If an employee chooses to travel first-class, the City will only pay coach or economy class fare. Every effort should be made to secure at least 14 day advance fare. The preference is to book airfare on a City P-card or City pre-payment with the second option being employee out-of-pocket reimbursement.

Employees shall not use private airplanes or charters, without approval of the City Manager. Cost savings or emergency requirements must be shown and included with the City Manager's written approval.

b. Personal Vehicle. When traveling on City business, a personal vehicle may be used with approval of the Director. The City will reimburse the lesser of mileage or 14-day advance roundtrip coach class airfare. A mileage log or other supporting documentation must be attached to the expense report. Normal

travel time should not exceed one day. Any travel that is greater than one day will be considered vacation time. The City will not pay for in-transit costs.

Mileage reimbursement for use of a personal vehicle will be made at the rate established by the Internal Revenue Service. Current mileage rates may be obtained from the Finance Department/Accounts Payable Division. Appendix A is provided to help calculate the least expensive travel method, which is the amount that will be reimbursed.

Mileage reimbursement for local travel will be calculated from the employee's office (workday destination) or from the employee's home, whichever is less.

Employees who receive a car allowance will not be reimbursed mileage, however fuel cost will be reimbursed for travel exceeding 300 miles round trip. Fuel receipts (not credit card slips or credit card statement) must be submitted for reimbursement.

c. City Vehicles. City vehicles should be used when available or at the discretion of the Director. Direct expenses associated with the use of a city vehicle, which are incurred by the employee, will be reimbursed.

d. Rental Cars. To assure payment for rental cars, prior approval of the Director is required. To determine the appropriate size and type of rental vehicle such factors as intended use, number of passengers, amount of luggage or equipment or other use factors should be considered.

When renting a vehicle in lieu of some other transportation method (i.e. taxi) proper justification must be provided to insure that this is the least expensive travel method. Appendix A is provided to help calculate the least expensive

travel method and to provide supporting documentation for reason that other transportation option/means were not utilized.

Employees shall sign and accept the liability/collision insurance agreement on the contract. Failure to accept this additional insurance will constitute agreement by the employee to be responsible to the service provider, third parties, or the City (at the City's discretion) for all claims in the event of an accident.

e. Ground Transportation. Employees may claim reasonable actual ground transportation expenses including shuttle services and taxis. Documentation for these expenses is required.

7. Extraordinary Expenses. There may be occasions when, for the City's benefit, extraordinary expenses may be justified. Extraordinary expenses that are not specifically provided for in this Chapter, when justified in writing and properly documented, may be approved by the Director if they are determined to have been incurred for the City's benefit.

F. Trip Cancellation. The employee shall promptly notify the Finance Department when travel plans are cancelled. If the trip is cancelled due to a conflict with city business, the City will be responsible for any fees that result from the cancellation. If the trip is cancelled for personal reasons, the employee shall reimburse the City for any fees charged as a result of the cancellation. Any exception to this rule must be approved by the Director.

G. Non-allowable Expenses. The cost of alcoholic beverages, laundry/dry cleaning, shoe-shining, haircuts, in-room movies, tours, personal entertainment, limousines, and spouse or other family expenses are specifically excluded from reimbursement, except when approved as Extraordinary Expenses.

H. Filing Expense Reports.

1. Any travel expenses incurred for travel outside the Metroplex shall be submitted on a Travel Authorization & Expense Report form with proper approval and sent to the Accounts Payable Division within 15 calendar days of the conclusion of the trip.

a. Employees will include all prepaid expenses related to the travel on the expense report. Prepaid expenses may include hotel charges, registration fees, and airfare.

b. If the expense report and required documentation is not received in the Accounts Payable Division within 15 calendar days after the conclusion of the trip, no further travel advances will be given to the employee. The Financial Services Department will send a delinquency notice to the employee, Department Head, and respective Deputy City Manager. The Financial Services Department will retain a copy of all employee notifications.

c. Department Directors shall submit their expense reports directly to the Deputy City Manager to whom they report. Deputy City Managers and Council members shall submit their expense reports to the City Manager. All expense reports shall be forwarded to the Accounts Payable Division after review and approval for final payment/disposition.

2. The reimbursement of mileage, business meals, gas, and other expenses incurred at local meetings within the Metroplex do not require an expense report. These items may be submitted to a department supervisor for approval and reimbursed using a petty cash voucher or payment authorization as applicable.

3. Splitting Bills. If more than one employee attends the same trip/event, each employee will complete his/her own expense report. If the employees share an allowable expense, every effort should be made to split the bill. If the bill cannot be split, then one employee should obtain a receipt for the entire amount and document the other employees who contributed, and the amounts provided by each. Upon return to the City, the employee shall produce copies of the receipt for all contributing employees for their expense reports.

4. Return of Unused Funds. When the travel advance, or any portion of it, is not entirely used, the employee shall return the unused funds for credit to the proper account. The employee shall ensure that the returned monies are credited to the same line item account from which they were originally drawn. The original receipt of this refund transaction must be attached to the expense report and submitted to the Accounts Payable Division. If the trip was cancelled, the original receipt should be forwarded to the Accounts Payable Division indicating that the trip was cancelled.

5. Travel on Behalf of Other Agencies. With the approval of the Director, employees may be granted travel time on behalf of other organizations. In unusual circumstances the City Manager or Deputy City Manager may approve the use of City funds on behalf of the outside agency. The same guidelines outlined in this Chapter must be followed.

6. Accounts Payable Review. The Accounts Payable Division shall review the items submitted for mathematical accuracy and compliance with the provisions of this Chapter. If any correction(s) are determined to be necessary, the Director will be notified and documents returned for appropriate corrections. The corrected documents must be returned to Accounts Payable within the 15 day reporting timeline. If Accounts Payable determines that documentation does not properly support an expenditure, the Director of Financial Services will review and notify the Department Director if additional documentation is deemed necessary.

I. IRS Regulations. Notwithstanding the City's administrative procedures for travel advances, IRS regulations may result in the City having to classify travel advances as ordinary income to the employee if:

1. The expenses were not incurred for valid business purposes; and

2. The employee did not adequately account for these expenses and return any excess allowance within a reasonable period of time. To meet the “reasonable period of time” test, expenses must be incurred within 30 days of the receipt of a cash advance, and the employee must adequately account for their expenses within 60 days after they were paid, and return any excess advance within 120 days after the expense was paid or incurred.

108.04 RECRUITING/RELOCATION EXPENSES

A. Expense Reimbursement. In most instances applicants for City employment are responsible for interviewing and/or relocation expenses. When the recruiting process requires a regional or national effort, applicants may be reimbursed for certain direct, out-of pocket interviewing/relocation expenses, particularly those relating to travel or relocation from out-of-state.

1. Reimbursement is limited to the expenses of coach airfare, lodging, meals, and ground transportation to and from the airport, to the extent allowed as ordinary expenses for city employee travel. For the purpose of interviewing for city employment or seeking housing after acceptance of employment, actual cost of lodging that a reasonable and prudent person would incur for these purposes may also be reimbursed.

If mileage is reimbursed as part of the relocation it will be paid at the IRS rate for relocation reimbursement, which is less than mileage reimbursement for routine training and travel. Financial Services Department/ Account Payable can provide the appropriate rate.

2. The same receipts/documentation that would be required for reimbursement of employee travel is required for recruiting/relocation reimbursement. The Department Head shall submit a Payment Authorization form for the total amount and the receipts/documentation to the Financial Services Department/Accounts Payable Division.

3. Recruiting/relocation expense reimbursements will be charged to the hiring department.

4. Recruiting/relocation expenses cannot be advanced and will be paid only on a reimbursement basis after receipt of acceptable documentation of payment by the applicant. This does not preclude the City from making a direct payment to the vendor providing the service (i.e. movers, airlines, etc.)

B. Approval Required. Directors must secure approval from the appropriate Deputy City Manager or City Manager by indicating why reimbursement is necessary, the approximate cost of reimbursement, and what account(s) will be used for funding.

APPENDIX A

TRANSPORTATION JUSTIFICATION WORKSHEET

AIRLINES VS. PERSONAL VEHICLE:		The lesser of the Total Cost is the maximum reimbursement when choosing to drive to a destination versus flying	
AIRLINE	PERSONAL VEHICLE		
Airfare* _____	_____ miles @ _____		<u>0</u>
Airport Parking _____	Destination Parking _____		_____
Transportation (To/From Airport) _____	Additional Lodging _____		_____
Other _____	Additional Meals _____		_____
Total Cost <u>0</u>	Total Cost _____		<u>0</u>

* A 14-day advance fare shall be used for airfare cost unless there are extenuating circumstances. A brief explanation of these circumstances must be provided. A price quote must be attached to this form in order to obtain reimbursement. This quote may be obtained via the Internet web page of the appropriate major airline.

RENTAL VEHICLE VS. OTHER MODE:		The lesser of the Total Cost is the maximum reimbursement when choosing to rent a vehicle versus other modes of transportation(ie shuttle or taxi).	
RENTAL VEHICLE	OTHER MODES OF TRANSPORTATION		
Vehicle* _____	Mode of Transportation _____		
Fuel _____	Cost of Transportation _____		
Destination Parking _____	Other: _____		
Other _____	Other: _____		
Total Cost <u>0</u>	Total Cost _____		<u>0</u>

* The appropriate size of the rental vehicle will depend on such factors as the number of passengers, and the amount of luggage and/or equipment being carried. A brief explanation of these circumstances must be provided.